

LAW OFFICES OF
HUBER LAWRENCE & ABELL REGISTRATION NO. _____ Filed 1/2/85
99 PARK AVENUE
NEW YORK, N.Y. 10016

14533

INTERSTATE COMMERCE COMMISSION

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682-6200

CABLE ADDRESS "CAUTELA"

COUNSEL
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JOHN A. FARRELL

January 3, 1985

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Ms. Agatha Mergenovich
Secretary
Interstate Commerce Commission
12th & Constitution Avenue, N.W.
Room 2303
Washington, DC 20423

5-008A014

ST-40

Dear Secretary Mergenovich:

Enclosed please find an original and counterpart of the primary document described below, to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code.

The document, titled "Security Agreement in the Nature of a Chattel Mortgage" is a security agreement covering 52 tankcars, dated as of December 10, 1984, between Tankcar Partners III, a New York partnership, as Debtor, and The Central Jersey Bank & Trust Company, as Secured Party. The addresses of the parties to the document are as follows:

DEBTOR: Tankcar Partners III
230 Park Avenue, Suite 2500
New York, New York 10169

SECURED PARTY: The Central Jersey Bank & Trust Company
Route 9
Freehold, New Jersey

A description of the equipment covered by this document follows:

- 2 -

<u>Number of Cars</u>	<u>Department of Transportation Classification</u>	<u>Type and Description</u>
52	111A - 100 W	23,500 gallon general purpose tankcars, exterior coiled and insulated, marked with the following identification numbers: RTMX 002327 012307 002423 012308 002424 012309 002425 012311 002426 012312 002427 012314 012276 012315 012277 012316 012278 012317 012279 012318 012280 012319 012281 012320 012282 012806 012283 012807 012284 012809 012285 012810 012291 012811 012292 012812 012293 012813 012294 012814 012295 012815 012301 012846 012302 013232 012303 012304 012305 012306

A short summary of this document to appear in the index follows:

"Security Agreement in the Nature of a Chattel Mortgage between TANKCAR PARTNERS III, with an address at 230 Park Avenue,

- 3 -

Suite 2500, New York, NY 10169, as Debtor,
and The Central Jersey Bank & Trust Company,
with an address at Route 9, Freehold, New
Jersey, as Secured Party, dated as of
December 10, 1984, and covering 52 23,500
gallon general purpose tankcars, exterior
coiled and insulated, marked with the
following identification numbers:

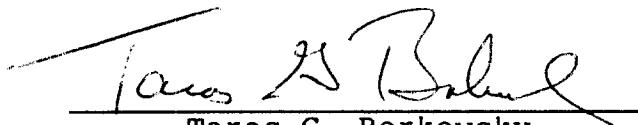
RTMX 002327, 002423, 002424, 002425,
002426, 002427, 012276, 012277, 012278,
012279, 012280, 012281, 012282, 012283,
012284, 012285, 012291, 012292, 012293,
012294, 012295, 012301, 012302, 012303,
012304, 012305, 012306, 012307, 012308,
012309, 012310, 012311, 012312, 012313,
012314, 012315, 012316, 012317, 012318,
012319, 012320, 012806, 012807, 012809,
012810, 012811, 012812, 012813, 012814,
012815, 012846, 013232

A fee of \$50.00 is enclosed. Please return the
original to:

Taras G. Borkowsky, Esq.
Huber Lawrence & Abell
99 Park Avenue
New York, New York 10016

Thank you for your help in this matter.

Very truly yours,


Taras G. Borkowsky
Attorney for TANKCAR
PARTNERS III

TGB:srp
Enclosures

Interstate Commerce Commission
Washington, D.C. 20423

1/8/85

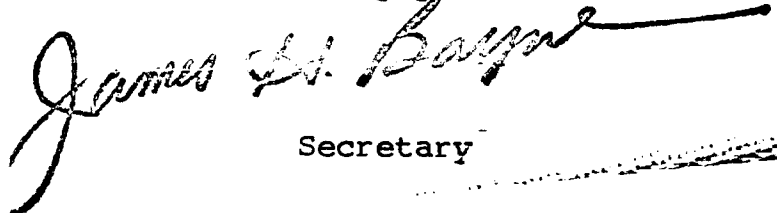
OFFICE OF THE SECRETARY

Taras G. Borkowsky
Huber Lawrence & Abell
99 Park Avenue
New York, N.Y. 10016

Dear
Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 1/8/85 at 10:15am and assigned re-recording number(s). 14533 & 14533-A

Sincerely yours,


Secretary

Enclosure(s)

SECURITY AGREEMENT IN THE NATURE
OF A CHATTEL MORTGAGE

JAN 8 1985 10 11 AM

INTERSTATE COMMERCE COMMISSION

AGREEMENT MADE as of the 10th day of December, 1984, between TANKCAR PARTNERS III, a New York partnership, having an office at 230 Park Avenue, New York, New York, 10169 ("Borrower") and Central Jersey Bank and Trust Company, a banking institution with offices at Route 9, Freehold, New Jersey (the "Bank").

WHEREAS, in consideration of the payment of TEN DOLLARS (\$10.00), lawful money of the United States, paid by each to the other and of the undertakings hereinafter set forth, and other good and valuable consideration;

IT IS HEREBY AGREED that:

1. THE NOTE

Undertaking. To induce the Bank to advance funds to the Borrower in the nature of a loan pursuant to Loan Agreement dated as of December 10, 1984 ("Loan Agreement"), which loan is evidenced by a Promissory Note in the principal amount of \$1,560,000 dated as of December 10, 1984 by Borrower in favor of the Bank (the "Note"), and to secure the full and complete performance by the Borrower under the terms of the Note (the obligations of performance, financial and otherwise, of the Borrower under the Note are hereinafter collectively referred to as the "Obligations"), the Borrower hereby grants to and creates in the Bank a security interest in the tank cars listed on Schedule A (the "Equipment") together with all accessions, additions, and improvements to, and substitutions and replacements for the Equipment.

2. REPRESENTATIONS, WARRANTIES AND COVENANTS.

2.1 General. The Borrower hereby makes the representations and warranties and enters into the covenants provided for in this Paragraph 2. Unless otherwise specified, all representations and warranties shall be true and all covenants shall be met in accordance with their terms, at the time this agreement is executed and at all times thereafter until the Obligations are fully paid.

2.2 General Representations. The Borrower represents to the Bank that:

A. It is a partnership duly organized and in good standing under the laws of the state of its organization, has the power to own its properties and operate its business as now owned and operated and as contemplated hereunder; it is duly qualified to do business and is in good standing in each jurisdiction in which the nature of its activities and, when commenced, its future activities, or where the character of such present or future business or its present and future property, makes such qualification necessary; and

B. All action has been duly and effectively taken by it which is necessary for the authorization, execution, delivery and performance of this Security Agreement and such execution, delivery and performance is not prohibited by and does not violate its Partnership Agreement or any agreement to which it is a party or any laws, statutes, regulations or the like of any governmental authority having jurisdiction; and

C. This Security Agreement constitutes its legal, valid and binding obligation enforceable against it in accordance with its terms, without defense, setoff or counterclaim;

2.2 Representations and Covenants with Respect to Equipment.

Borrower represents to and covenants with the Bank with respect to its Equipment that:

A. The Equipment is used primarily in business and the Bank has a first lien thereon; and

B. Except for the security interest granted hereby, the Borrower will keep the Equipment free from any adverse lien, security interest and encumbrance and in good order and repair and will not waste or destroy the same or any part thereof; and the Borrower will not use any such Equipment in violation of any statute or ordinance; and

C. The Borrower will pay promptly when due all taxes and assessments upon such Equipment, or for its use or operation; and

D. The Borrower shall not use such Equipment except in the ordinary course of its business, substantially in

the same manner as presently conducted, nor sell the same, without prior written consent of the Bank.

2.4 Covenants. The Borrower covenants with the Bank that it will do all of the following:

A. Pay and discharge when due all taxes and other obligations.

B. Promptly notify the Bank in writing of its opening of any new places of business or closing of any existing places of business.

C. Sign such financing statements or other documents in form satisfactory to the Bank which the Bank may at any time desire to file in order to protect or perfect its security interest in the Equipment and reimburse the Bank for the costs of filing the same and execute and deliver to the Bank any instrument, document, assignment or other writing which may be necessary or convenient to the Bank to carry out the terms of this Security Agreement and to perfect its security interest in the Equipment.

D. Deliver to the Bank with reasonable promptness such data as the Bank may reasonably request.

E. Promptly notify the Bank of the occurrence of an Event of Default and take such action with respect thereto as the Bank directs.

2.5 Negative Covenants. The Borrower covenants with the Bank that it will not do any of the following:

A. Create, assume or allow to exist any mortgage, pledge, hypothecation, assignment, encumbrance, charge or other lien or security interest upon any of the Equipment on Exhibit A except to the Bank in compliance with the terms of this Security Agreement and those existing on the Equipment as of the date hereof.

B. Sell or transfer the Equipment without the prior written consent of Bank, except in the regular course of business. Any sale or transfer shall be subject and subordinate to this Security Agreement.

3. DEFAULTS.

3.1. Defaults. If any one or more of the following events (each, an "Event of Default") occurs, the entire unpaid

balance of the principal and interest of the Note may, at the Bank's option, become immediately due and payable without notice, namely:

A. Any representation or warranty made herein or in connection with the making of the Note or any certificate, statement or report made in compliance with this Security Agreement or the Loan Agreement is false in any respect when made or when required to be true hereunder or by the Documents.

B. Failure by the Borrower to make any payment of interest or principal or other payment due under the Note.

C. Failure by the Borrower to perform or observe any term, condition, or covenant of this Security Agreement or the Loan Agreement, or any document now or hereafter executed in connection herewith or with the Loan Agreement.

D. Any adjudication that the Borrower is insolvent or bankrupt, become a debtor under the Bankruptcy Code (including reorganization under Chapter 11 or an adjustment of debts under Chapter 13 of such Code, as the same may be amended, modified or supplemented), or the filing of a petition by or against it for relief under any provisions of any statute or law relating to bankruptcy, or the making of any assignment for the benefit of creditors, or the appointment of a receiver or trustee for all or any part of its property.

4. Remedies and Subordination.

4.1 Remedies. Upon the occurrence of any Event of Default, the Borrower will within five days following receipt of written demand from the Bank repay all of the amounts then due under the Note, and in addition to its rights at law, under the UCC or hereunder or under any other document, the Bank, if the Borrower does not make full repayment within such five day period, may:

A. Without further notice or demand or legal process take possession of the Equipment, all records and items relating to the Equipment and;

B. Sell the Equipment, but the Bank shall give the Borrower reasonable notice of the time and place of any public sale of its Equipment or of the time after which any private sale or other intended disposition thereof is to be made. The requirement of reasonable notice shall be met if notice of the sale or other intended disposition is mailed, by certified mail, postage prepaid, to the Borrower at its address specified hereunder at least ten days prior to the time of such sale or disposition. At such sale the Bank may sell the Equipment for cash or upon credit or otherwise, at such prices and upon such

terms as it deems advisable and the Bank may bid or become purchaser at such sale, free of the right of redemption, which is hereby waived. The Bank may adjourn such sales at the time and place fixed therefor without further notice or advertisement, and may sell the Equipment as an entirety or in separate lots as it deems advisable, but the Bank shall not be obligated to sell all or any part of the Equipment at the time and place fixed for such sale if it determines not to do so.

4.2 Proceeds. The proceeds of any sale or other disposition of the Equipment shall be applied as follows:

A. To the payment of the expenses of such sale; and

B. To the payment of the expense of retaking, keeping and storing the Equipment, including any attorneys' fees expended incidental thereto; and then,

C. To the payment of the Note. In the case of a surplus such surplus shall be provided to the Borrower.

5. MISCELLANEOUS.

5.1 Definitions. For the purpose of this Security Agreement the following terms shall have the meanings indicated:

A. First Lien. A fully perfected first lien against good and marketable absolute or fee simple title to the Equipment in question, free of all liens and encumbrances whatever, other than those acceptable to Bank, perfected by recording, filing or otherwise, so that such lien is prior and paramount to the lien or claim of any other party, except liens existing on the date of purchase of the Equipment.

B. UCC. As of any time, the Uniform Commercial Code then in effect in the State of New Jersey.

5.2 Waivers, Etc. The Borrower hereby waives any notice of presentment, demand for payment, protest and notice of protest of non-payment of the same and notice of any facts which might increase the Borrower's risk hereunder and all notices required by law, all defenses, setoffs and counterclaims. The Borrower hereby further agrees that its obligation to pay the Note is absolute and shall in no way be impaired by the invalidity, illegality or unenforceability of all or part of this Security Agreement or the Loan Agreement or any document now or hereafter executed in connection therewith, or the failure of the Bank to protect or perfect all or any part of the Equipment; and the Bank is hereby authorized to surrender, in whole or in part, the Note or release anyone obligated for the payment therefor. No delay or failure by the Bank to exercise any right or privilege shall operate as a waiver of such or of any other right or privilege and no waiver shall be valid unless in writing and signed by the Bank.

5.3 Construction. This Security Agreement shall be construed under New Jersey law, and federal law to the extent applicable, and references to the plural shall include the singular and others and references to the singular shall include the plural as the context requires. The invalidity, illegality or unenforceability of one or more provisions of this Security Agreement or the Note shall in no way affect the Bank's rights under the remaining portions of this Security Agreement or such Note.

5.4 Notices. Notices to the Bank and the Borrower shall be effective when mailed by first class, certified mail, return receipt requested, postage prepaid at the addresses set forth in the introduction to this Security Agreement.

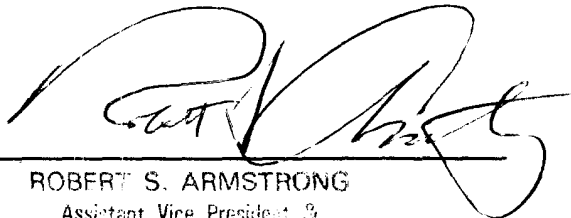
5.5 Counterparts. This Security Agreement may be executed in counterparts each of which shall be deemed to be an original and when taken together shall constitute one and the same instrument.


5.6 Execution as Attorney-in-Fact. It is expressly understood by the Bank that this Security Agreement is executed by the Borrower as attorney-in-fact for its Partners, owners of the Equipment as tenants-in-common.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written above.

ATTEST:

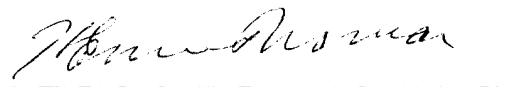
CENTRAL JERSEY BANK AND TRUST
COMPANY

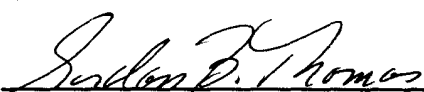

ROBERT S. ARMSTRONG
Assistant Vice President &
Assistant Secretary

By: 
JOHN W. BISBEE, JR.
Executive Vice President

WITNESS:


TANKCAR PARTNERS III



By: 
Gordon B. Thomas,
Partner

STATE OF NEW JERSEY)
COUNTY OF MONMOUTH)

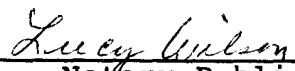
On this 11th day of December, 1984, before me personally appeared Robert S. Armstrong, to me personally known, who, being by me duly sworn, did depose and say that he is the Asst. Vice President of the Central Jersey Bank and Trust Company, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors or By-Laws, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.



Notary Public
My Commission Expires: 8/2/89

STATE OF NEW JERSEY)
COUNTY OF UNION)

On this 10th day of December, 1984, before me personally appeared Gordon B. Thomas, to me personally known, who, being by me duly sworn, did depose and say that he is a Partner of Tankcar Partners III, a New York partnership, that said instrument was signed on behalf of said partnership and he acknowledged that the execution of the foregoing instrument was the free act and deed of said partnership.



Notary Public
My Commission Expires: _____

NOTARY PUBLIC
My Commission Expires April 12, 1987

SCHEDULE A

DESCRIPTION OF TANKCARS

No. of Cars	52	
Department of Transportation Classification	111A-100 W	
Reporting Marks and Numbers	RTMX002327	RTMX012281
	RTMX002423	RTMX012282
	RTMX002424	RTMX012283
	RTMX002425	RTMX012284
	RTMX002426	RTMX012285
	RTMX002427	RTMX012291
	RTMX012276	RTMX012292
	RTMX012277	RTMX012293
	RTMX012278	RTMX012294
	RTMX012279	RTMX012295
	RTMX012280	RTMX012301
	RTMX012302	RTMX012316
	RTMX012303	RTMX012317
	RTMX012304	RTMX012318
	RTMX012305	RTMX012319
	RTMX012306	RTMX012320
	RTMX012307	RTMX012806
	RTMX012308	RTMX012807
	RTMX012309	RTMX012809
	RTMX012310	RTMX012810
	RTMX012311	RTMX012811
	RTMX012312	RTMX012812
	RTMX012313	RTMX012813
	RTMX012314	RTMX012814
	RTMX012315	RTMX012815
	RTMX012846	
	RTMX013232	
Description	23,500 gallon exterior coiled, insulated general purpose tankcars	